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SIPDIS

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SUBJECT: VIETNAM REACHING OUT TO VENEZUELA AND CUBA ON ENERGY

SENSITIVE - DO NOT POST ON INTERNET

¶1. (SBU) Summary and Comment: Recent news reports have indicated that Vietnam has signed a series of energy deals with Venezuela and Cuba. According to a GVN official, such Memoranda of Understanding (MOUs) are in line with the GVN's policy to seek more oil resources and partners outside of Vietnam in order to meet the country's increasing energy needs. Vietnam has only signed MOUs to explore the contracts, and commercial considerations would be the primary factors in the GVN's decisions. The timing of the Venezuela deals coincide with Venezuela's attempt to gain a seat on the UN Security Council (UNSC). Despite Venezuela's efforts to curry Vietnam's favor for its UNSC bid, MFA officials have assured us on several occasions that Vietnam has a vote-trading arrangement with Guatemala. End Summary and Comment.

¶2. (SBU) Econoff met with Deputy Director Nguyen Xuan Dinh of the Ministry of Interior's Department of Energy and Petroleum on October 13 to inquire about recent news reports that Vietnam had signed a series of energy deals with Venezuela and Cuba. According to media reports, on October 6 Venezuela President Hugo Chavez announced plans to build a USD 2.1 billion refinery in Vietnam using funds earned from Venezuela's recent sale of its Lyondell-Citgo refinery in Texas. The reports said Vietnam's state-owned oil and gas firm PetroVietnam would also cooperate with Venezuela's state oil company PDVSA to certify and quantify the reserves in Venezuela's Orinoco belt. Other news reports stated that while in Cuba, Vietnamese officials entered a partnership with Cubapetroleo for oil exploration in the Gulf of Mexico.

¶3. (SBU) When asked for details of these deals, Dinh explained that these were "only" MOUs to explore contracts and that commercial considerations would be the primary factors in the GVN's ultimate decisions. He added that these MOUs are in line with GVN policy to seek more oil resources and partners for exploration outside of Vietnam in order to meet the country's increasing energy needs. The GVN currently has seven contracts abroad, including in Malaysia, Algeria, Indonesia, Mongolia and Russia, and is exploring new contracts with Kazakhstan, Cuba and Venezuela. "This is normal cooperation between countries," he said, adding that the GVN is also trying to expand deep water production in its own territories. Dinh adamantly asserted that political considerations played no role in the agreements.

¶4. (SBU) In regard to Chavez' statement on plans to build a refinery in Vietnam, Dinh said that officials from Venezuela's PDVSA will come to Vietnam in December to discuss terms and conditions. Dinh

was at pains to emphasize that Vietnam has an "open door policy for every country and company" in regard to investment, and that PDVSA would be treated no differently than any other potential investor in Vietnam. Vietnam is now adjusting the scope of work for new refineries and PDVSA would be free to accept or reject the terms. "It depends on PDVSA's offer," he said. "But we are also waiting for American firms to bid on contracts in Vietnam. We don't care about the name of the company or country. It is the economic substance that matters."

15. (SBU) As for the Cuba MOU on exploration and production, Dinh said the GVN would be examining available geological data and bidding criteria. "It depends on the potential of the block that Cuba offers to PetroVietnam," he said.

16. (SBU) Comment: The timing of the Venezuela deal coincides with Venezuela's attempt to gain a non-permanent seat on the UN Security Council. Despite Venezuela's efforts to curry Vietnam's favor for its UNSC bid, MFA officials have assured us on several occasions that Vietnam has a vote-trading arrangement with Guatemala. The MOUs also shed light on the way Vietnam's "friends towards all" foreign policy relates to its economy. Vietnam's energy needs are growing, and the country is searching for energy partners. It may be that because of their government's particular circumstances and ambitions, the state oil firms of Venezuela and Cuba are willing to come to the table with terms that are, for Vietnam, more favorable than those offered by their European and U.S. counterparts. End Comment.

17. (SBU) Background: With daily output of 350,000 barrels per day, Vietnam is the third largest crude oil producer in Southeast Asia after Indonesia and Malaysia. Crude oil currently accounts for 22 percent of Vietnam's exports. The Ministry of Trade recently

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drafted an export plan, however, which sees crude oil exports falling to 15.6 million tons in 2010 from 18.7 million tons in 2006 because Vietnam will increasingly use its crude oil resources once it establishes refining capacity. Vietnam's first oil refinery, in central Quang Ngai Province, is expected to come on line in early 2009.

MARINE